Yinson Holdings (YNS MK)

FPSO Monetisation Unperturbed By Oil Price Volatility

Highlights

- **Expect stable results, regardless of oil price swings.** Yinson is set to release its results on 19 March 2026 (20 March for YP's earnings release including ER accounts). We expect no negative surprise as minor setbacks for the Brazil FPSO projects were well guided. Despite sentiments generated from current oil prices, we note the lacklustre global FPSO stock performance. Perhaps an unpopular opinion is that the situation may cause more project sanction delays, and is ultimately negative for FPSO prospects and YP's eventual listing.
- **Our revised target price of RM2.75 assumes unchanged FPSO monetisation pathway.** Adjusted for US$/RM of 4.00 (4.30-4.40 previously), our target price is lowered by 12% but still within YNS' privatisation price range. While we opine that the FPSO IPO (which must happen by mid-Jun 30) does not depend on the privatisation, our conviction for the privatisation scenario is mainly because this will remove many uncertainties to unlock YP's true FPSO valuation, which we also believe has not ascribed any non-O&G valuation (Stella Marris carbon capture, LCO2 tanks).

Analysis

- **Unpopular opinion: Current high oil prices a net negative to FPSO prospects**. The US-Iran conflict has heightened uncertainty over the war's duration, pushing O&G prices to levels last seen during the Russia-Ukraine war four years ago. UOB Economics now expects Brent price to average US$90/bbl in 2Q26, before gradually reversing to US$75/bbl in 1Q27. Normally, share prices of O&G companies across the value chain benefit from this sentiment. However, there has hardly been any capital appreciation for FPSO players, not just locally (like Yinson and Bumi Armada), but also top-tier global peers like SBM Offshore and Modec.
- **Our view on market perception on FPSO stocks.** Firstly, high oil prices do not directly correlate to FPSO earnings, which are usually contracted based on a fixed agreed charter rate over a multi-year lease period. The correlation only exists if oil price is "higher for longer", which will prompt oil majors to recalibrate capex and long-term oil price assumptions. This indirect opens up prospects of more deepwater projects. Secondly, we assume that this geopolitical event will be short-lived, but the volatility (which will spread beyond oil prices to include trade and geopolitical risks) may result in project sanction delays and thus, lesser FPSO award prospects in the near-term horizon.

Key Financials

Year to 31 Jan (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	11,646	7,605	3,967	4,295	4,710
EBITDA	1,613	2,052	3,189	3,477	3,568
Operating profit	1,695	1,120	1,270	1,372	1,445
Net profit (rep./act.)	964	752	870	771	874
Net profit (adj.)	623	510	870	771	874
EPS	18.2	14.9	25.4	22.5	25.5
PE	12.7	15.5	9.1	10.2	9.0
P/B	1.4	1.5	1.4	1.3	1.2
EV/EBITDA	13.6	10.5	8.2	8.0	8.4
Dividend yield	1.3	1.3	2.2	2.2	2.2
Net margin	8.3	9.9	21.9	18.0	18.6
Net debt/(cash) to equity	183.0	188.2	232.1	237.1	244.8
Interest cover	1.7	1.2	2.0	2.0	2.1
ROE	16.8	13.2	14.6	12.5	13.5
Consensus net profit	-	-	637	841	911
UOBKH/Consensus (x)	-	-	1.17	1.11	1.18

** Past financials are based on IFRS FL; core profits excluded FL construction effects* *Source: Yinson, Bloomberg, UOB Kay Hian*

BUY (Maintained)

Share Price	RM2.30
Target Price	RM2.75
Upside	+19.6%
Previous TP	RM3.10

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Stock Data

GICS Sector	Energy
Bloomberg ticker	YNS MK
Shares issued (m)	3,220
Market cap (RMm)	7,401.0
Market cap (US$m)	1,850.0
3-mth avg daily t'over (US$m)	3-

Price Performance (%)

52-week high/low				RM2.53/RM1.73.73
1mth	3mth	6mth	1yr	YTD
2.0	6.6	8.6	(14.0)	(9.5)

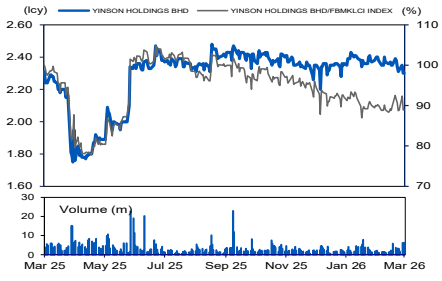
Major Shareholders %

Yinson Legacy	16.6
EPF	17.1

Balance Sheet Metrics %

FY26 NAV/Share (RM)	1.67
FY26 Net Debt/Share (RM)	2.74

Price Chart



Source: Bloomberg

Company Description

One of the largest global Floating, Production, Storage and Offloading (FPSO) operators. It has Engineering, Construction, Procurement, Installation and Commissioning (EPCIC) capabilities, and may record EPCIC income under Finance Lease (FL) method, as dictated by the International Financial Accounting Standards (IFRS). It also holds an associate stake in Offshore Support Vessels (OSV). Lately its FPSO subsidiary Yinson Production (YP), begun adopting Enterprise Reporting (ER), as a complementary disclosure to the statutory IFRS reporting. Under ER,, YP adopted operating lease method and apply proportional consolidation based on YP's share in assets.

- **Yinson is still retaining guidance of at least one new FPSO win a year.** Yinson can afford to be very selective, but serious, in bidding for new FPSO projects. This is because Yinson is already armed with a US$0.8b equity raised in 2025 (the equivalent of equity funding for two mid-sized FPSO projects), and has positioned itself for a near-term FPSO award given that it already acquired the Very Large Crude Carrier (VLCC) Maran Antares. Thus, a prolonged FPSO award delay may be negative as it may impact the IPO valuation of YP in future.

Valuation/Recommendation

- **Maintain BUY, SOTP-based target price adjusted to RM2.75 (from RM3.10).** Our SOTP valuation, which implies 12x FY27F PE, is adjusted after updating our US$/RM assumption from 4.3-4.40 to 4.00. We still retain key operational assumptions: a) 10% discount on the Brazil FPSOs (especially FPSO MQ or PDB) as there are still earnings risks to date, b) zero value for energy transition/non-O&G operations, and c) a potential 15% stake divestment of FPSO Agogo. The Agogo loan is expected to be non-recourse within 12 months since its first oil; thereafter, only the group can identify partners for divestment to recycle capital, if any.

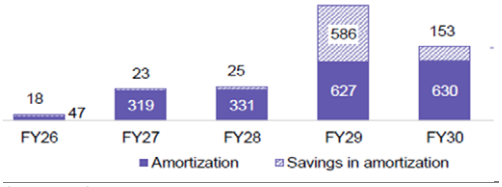
Earnings Revision/Risk

- **FY26-28 earnings trimmed by 3%/14%/14% respectively.** Our forecasts is based on Yinson's ER format (an alternative earnings account reflecting all FPSOs are on operating lease). The key adjustment is from forex changes and updated depreciation forecasts. YP owns the carbon storage licence of Stella Marris, and this carries annual amortisation costs of US$2.2m.
- **Full YP FY26 accounts (with ER disclosure) on 20 Mar 26, the day after YNS' results release.** Our slight FY26 earnings cut has also factored in a minor downside risk of the Brazil FPSOs. YP guided that FPSO MQ had a 50-day shutdown since 10 Dec 25 by Petrobras, during which YP was entitled for standby rates equivalent to 95% of the full day rate. We expect a small FL modification loss in its cash flow to reflect this.

Share Price Catalysts

- **Privatisation plans of holding company...** Yinson had reportedly planned to privatise by end-25, while FPSO subsidiary Yinson Production is planning for a foreign IPO listing in 2028-20. This key milestone must materialise before 15 Jun 30, being the "target exit date" which investors can convert RCPS to common shares of YP assuming a successful IPO. Without the IPO, the situation will be negative for YNS, as RCPS holders can convert to a more costly perpetual bond.
- **…to lead the way for FPSO subsidiary IPO**. The privatisation price tag was reported at US$2.1b, which is within the range of RM2.75-3.15, and is consistent with our target price. Our valuation still remains conservative as it fairly reflects YNS's superior execution as it transitions to operational phase (from heavy-capex phase), but is still not fully immune to country risks like Brazil (hence, execution remains paramount). In addition, we believe YP's equity value still excludes non-O&G valuation. YP now holds the carbon storage licence. Its JV entity with Provaris, is actively working with Himile for a proprietary Liquid Carbon (LCO2) tank, and with K-Line for a Floating Storage Injection Unit.
- **In our view, YP's IPO timing does not depend on YNS' privatisation, but the IPO valuation does.** The holding company's privatisation appears to have encountered some delay to its end-25 target. We understand that the FPSO IPO (tied to the RCPS' mandate) is a separate exercise that does not depend on YNS's privatisation. If YNS remains listed until YP's IPO in 2030, other uncertainties related to the "holding company discount" may influence the IPO valuation negatively, such as the non-O&G business progress, the likelihood of Yinson remaining non-shariah compliant, and the investment climate of Bursa marketplace.
- **Capturing VLCC spot charter**. If no FPSO award but if Yinson is able to redeploy the VLCC into spot charters recently, whereby daily rates surged to US$400,000 amid the war may be a small catalyst not captured in our earnings model.

YP's Debt Amortisation Schedule (US$m)



Source: YNS

SOTP Valuation (at 4.00 US$/RM)

FY26F	Valuation	RM
FPSO Adoon	DCF (Blended IRR 12%)	0.07
FPSO JAK, firm only	DCF (IRR 14%, 74% stake)	0.71
FPSO Helang, firm	DCF, US$280m capex + US$50m residual value	0.67
FPSat O Abigail-Joseph (AJ)	DCF (IRR 25%)	0.35
MOPU	11x PE	0.02
Lam Son	redeployment	0.14
FPSOs Anna Nery and PDB	DCF (IRR 17%, both assume 63-85% stake), apply 10% discount	2.37
FPSO Agogo	DCF (IRR 20%, 85% stake from 100%)	1.50
Atlanta, and new FPSOs	Include chance of more contract wins	0.64
(-) Minus net debt	Include all perpetuals	(3.77)
SOTP (diluted)	RM3.4b shares	2.75
Implied FY27F PE	-	12.2x
Implied FY28F PE	-	10.8x

Source: UOB Kay HIan

Environmental, Social, Governance (ESG) Updates

Environmental

- Advanced in carbon (CO2) reduction. Outlined climate goals roadmap to reach carbon-neutrality and net-zero carbon by 2030
- Advanced in non-O&G diversification. Targets 5GW of operating portfolios of Renewable Energy (RE) capacities by 2035
- Safety (HSE). Lost Time Injury (LTI) Frequency of 0.13 in FY25 (FY24: 0.05), superior to industry benchmark of 0.24-0.28

Social

- Ranked top for active stakeholder engagements with bankers/ clients/ investors

Governance

- Most advanced in self-monitoring and reporting of its environmental contribution
- 50% of its board members are independent despite having family representation

Source: Yinson, UOB Kay Hian

RCPS And Yinson Production (YP) IPO

- One year ago YP raised US$1b Redeemable Convertible Preference Shares (RCPS) via a private equity consortium led by Abu Dhabi sovereign fund
- The RCPS preferred dividend rate is comparable to Yinson's mezzanine financing rate of 13-13.5%. It has four tranche offerings. The first tranche was concluded on 15 March 25.
- Investors will expect 15 June 2030 being the "target exit date", which they can convert the RCPS to common shares of YP assuming a successful IPO took place
- Without the IPO, the RCPS holders can convert to perpetual bonds, which carries a higher rate at a max of 17.5%
- YP's FY24/FY25 shareholder equity was US$1.7b/ US$1.9b respectively. As of 3QFY26, equity had risen to US$2.0b
- YP's pre-RCPS equity value, was US$2.6b. This is 22%/42% above our target price/ market price of YNS.
- Implied IPO valuation (post-RCPS) is US$3.7b, or a max of US$4.1b. The latter assumes a further US$0.5b RCPS was further issued.

Source: Yinson, UOB Kay Hian

Profit & Loss

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Net turnover	7,605	3,967	4,295	4,710
EBITDA	2,052	3,189	3,477	3,568
Deprec. & amort.	377	435	445	482
EBIT	1,120	1,270	1,372	1,445
Total other non-operating income	-	0	0	0
Associate contributions	377	435	445	482
Net interest income/(expense)	(1,736)	(1,567)	(1,741)	(1,740)
Pre-tax profit	1,120	1,270	1,372	1,445
Tax	(167)	(189)	(218)	(244)
Minorities	(201)	(211)	(383)	(326)
Net profit	510	870	771	874

Balance Sheet

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Fixed assets	4,421	8,777	9,590	10,368
Other LT assets	16,054	16,654	21,754	23,854
Cash/ST investment	2,679	2,074	2,684	658
Other current assets	419	419	419	419
Total assets	25,501	29,406	35,925	36,792
ST debt	1,247	1,818	2,416	2,914
Other current liabilities	1,425	1,224	4,374	4,747
LT debt	14,807	18,049	19,549	19,039
Other LT liabilities	523	211	284	298
Shareholders' equity	7,387	8,034	8,651	9,348
Minority interest	282	366	519	650
Total equity and liabilities	25,501	29,406	35,925	36,792

Cash Flow

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Operating	(3,016)	(2,138)	729	784
Pre-tax profit	1,120	1,270	1,372	1,445
Tax	(332)	(189)	(218)	(244)
Deprec. & amort.	377	435	445	482
Associates	21	(83)	(82)	(99)
Working capital changes	(5,116)	(3,570)	(789)	(799)
Other operating cashflows				
Investing	(486)	(782)	(500)	(500)
Capex (growth)	(560)	(782)	(500)	(500)
Investments	(41)	0	0	0
Others	115	0	0	0
Financing	3,336	2,315	383	(2,311)
Dividend payments	139	171	171	171
Issue of shares	920	0	0	0
Proceeds from borrowings	5,054	1,042	4,100	2,270
Loan repayment	(1,381)	0	4,500	0
Others/interest paid	(1,118)	1,444	155	139
Net cash inflow (outflow)	(166)	(605)	611	(2027)
Beginning cash & cash equivalent	3,063	2,679	2,074	2,684
Changes due to forex impact	(218)	0	0	0
Ending cash & cash equivalent	2679	2074	2684	658

Key Metrics

Year to 31 Jan (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	27.0	80.9	80.7	75.4
Pre-tax margin	14.7	32.7	34.2	33.6
Net margin	9.9	21.7	20.4	21.1
ROA	3.7	3.4	3.7	4.1
ROE	13.2	12.7	15.1	16.3
Growth				
Turnover	110.8	(4.4)	27.6	41.6
EBITDA	101.0	173.4	263.7	277.4
Pre-tax profit	56.4	57.5	119.9	139.6
Net profit	87.5	86.8	133.8	168.8
Net profit (adj.)	26.6	85.8	132.7	167.5
EPS	26.6	85.8	132.7	167.5
Leverage				
Debt to total capital	217.3	251.1	252.5	228.5
Debt to equity	226.0	263.3	268.6	245.3
Net debt/(cash) to equity	188.2	237.3	237.1	237.6
Interest cover (x)	1.2	2.0	2.0	2.1

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